Business Value Affirmation

Uncovering and Documenting the Value Delivered by Strategic Data and Analytics Initiatives

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Executive Summary

"What's past is prologue."

When William Shakespeare penned this line more than four centuries ago, he clearly was not discussing how to make the optimal investment decisions regarding data and analytics. But he could have been.

While any financial advisor will agree that past performance does not guarantee future results, understanding the costs and benefits of previous investment decisions can absolutely help organizations make better investment decisions going forward. Additionally, understanding how previous initiatives fared against their initial business cases can help diagnose areas where results could be improved, often with little incremental expenditure.

Although this type of retrospective analysis can bring tremendous benefits, many organizations have difficulty finding and allocating the necessary resources. To help customers facing this need, Teradata has developed a Business Value Affirmation (BVA) service—a team of experienced consultants who work directly with clients to identify, articulate, and quantify the financial impacts of their previous investments in Teradata solutions.

Conducting this type of assessment requires a combination of art and science. The art is provided by seasoned, business-savvy consultants who ask probing questions and synthesize answers into a relevant set of findings and recommendations. The science is provided by a proven, repeatable methodology that is flexible enough to work across industry and company-specific situations.

This paper describes that methodology, along with best practices developed through years of experience. Teradata's BVA methodology consists of four primary phases:

Prepare/Plan
Identify the objectives, targets, and constraints of the assessment effort.

Gather/Align
Talk with key stakeholders and subject matter experts to build a common understanding of the project, and gather the information necessary to develop insights, metrics, and conclusions.

Evaluate/Recommend
Convert data and anecdotes into insights, narratives, value statements, and recommendations to be delivered to key stakeholders and decision makers within the client organization.

Refine/Confirm
Develop mechanisms to track and measure results produced in an ongoing manner to ensure the delivery of continued value.

Like any methodology, this is merely a framework—and only as effective as the consultants who execute it. Each client is uniquely different and so, too, is each assessment effort. Taking this approach as a starting point, and customizing it as needed, provides a solid foundation for a successful BVA.
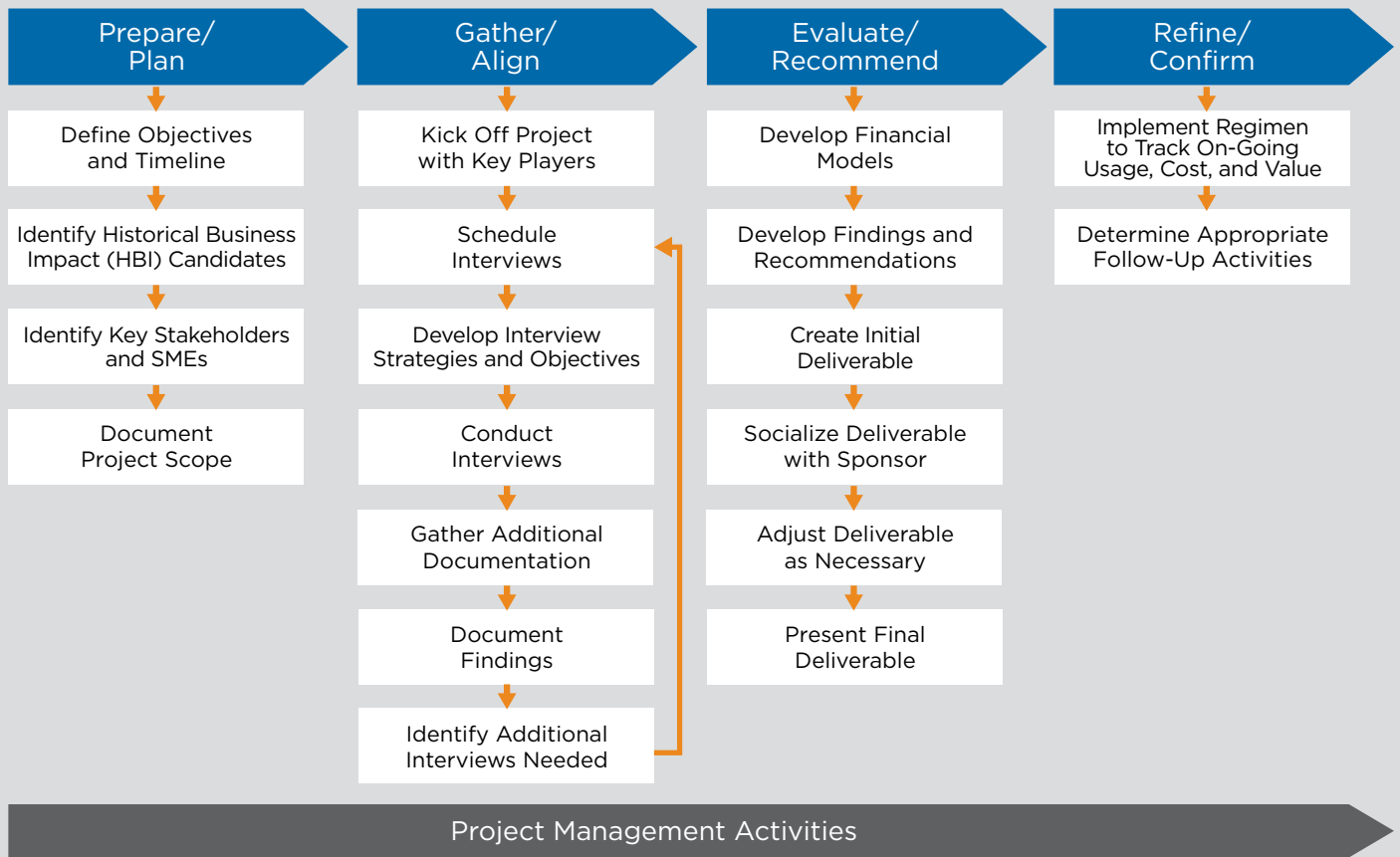
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Prepare/ Plan	Gather/ Align	Evaluate/ Recommend	Refine/ Confirm
Define Objectives and Timeline	Kick Off Project with Key Players	Develop Financial Models	Implement Regimen to Track On-Going Usage, Cost, and Value
Identify Historical Business Impact (HBI) Candidates	Schedule Interviews	Develop Findings and Recommendations	Determine Appropriate Follow-Up Activities
Identify Key Stakeholders and SMEs	Develop Interview Strategies and Objectives	Create Initial Deliverable	
Document Project Scope	Conduct Interviews	Socialize Deliverable with Sponsor	
	Gather Additional Documentation	Adjust Deliverable as Necessary	
	Document Findings	Present Final Deliverable	
	Identify Additional Interviews Needed		

Project Management Activities

Figure 1. Business Value Affirmation Methodology

Introduction to the Business Value Affirmation

For today's business and technology leaders to make the best decisions possible regarding their future data and analytics investments, it's essential they have a firm understanding of the business value associated with similar investments made in the past. Teradata's BVA service provides the identification and quantification of business outcomes achieved through the technology enabled by those investments.

To help our clients and prospects better understand the overall financial impact, Teradata has developed two distinct consulting service offerings:

- Teradata Business Value Discovery (BVD), which looks ahead in time to project potential future benefits.
- Teradata Business Value Affirmation (BVA), which looks back in time to measure the value already received from a data/analytics investment.

This paper focuses on the latter type of engagement—Business Value Affirmation—and describes the methodology employed to deliver this service.

A BVA done properly requires a healthy dose of both art and science. The art comes in the form of skilled business consultants capable of understanding a wide variety of business functions, asking good questions, and synthesizing the learnings into a coherent and relevant set of findings. The science comes from utilizing a methodology that is both robust and repeatable, but not inflexible or constraining. Teradata consultants, working in concert with the client, provide both these critical components.

Figure 1 illustrates the four fundamental phases of the BVA effort:

Prepare/Plan
Identify the objectives, targets, and constraints of the assessment effort

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Gather/Align

Talk with key stakeholders and subject matter experts to build a common understanding of the project, and gather the information necessary to develop insights, metrics, and conclusions.

Evaluate/Recommend

Convert the data and anecdotes into insights, narratives, value statements, and recommendations to be delivered to the key stakeholders and decision makers within the client organization.

Refine/Confirm

Develop mechanisms to track and measure results produced in an ongoing manner to ensure the delivery of continued value.

While each project has its own timeline, a standard BVA takes between four and eight weeks with the four phases spread out as shown in Figure 2. Note that the plan/prepare activities can begin weeks or months before the assessment project is officially launched, and the refine/confirm activities can continue long after the assessment project is officially completed.

Phase 1: Prepare/Plan

Experience shows that the first phase of any BVA, prepare/plan, is often the most critical. Because the BVA looks back in time to document the value that has been realized through the use of a Teradata solution, it's important that the client and Teradata consultants work together to identify which areas of the organization have generated the most significant Historical Business Impacts (HBIs).

Agreement on these top HBIs largely defines the scope of the project, and determines those needed to be interviewed by the project team. While each engagement features its own unique set of HBIs, some common areas of impact can include:

- Improved marketing results
- Reduced customer diminishment or attrition/churn
- More efficient inventory management
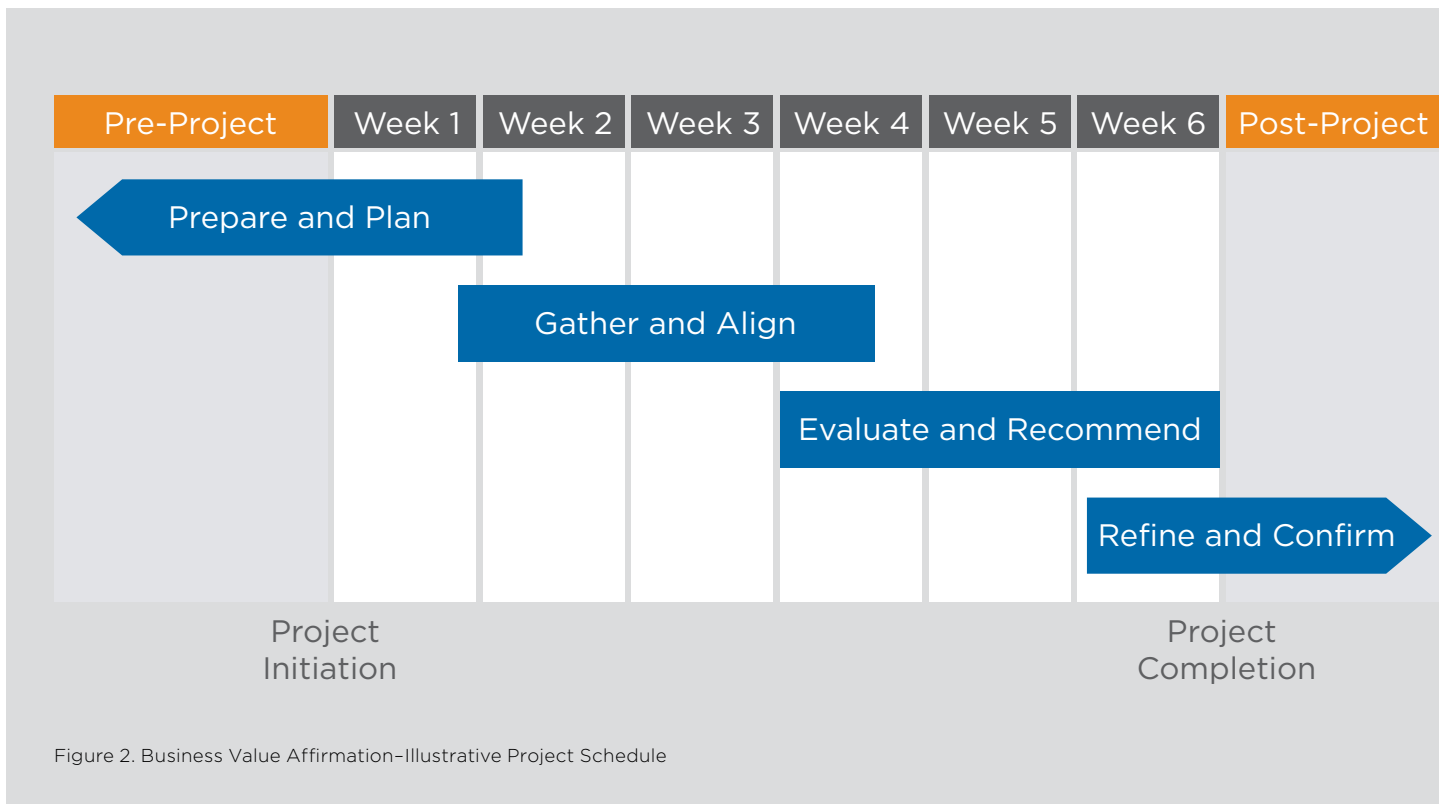- Enhanced fraud detection/avoidance

Figure 2. Business Value Affirmation–Illustrative Project Schedule

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Once the target set of HBIs has been agreed upon—we generally recommend starting with two to four HBIs within a single BVA engagement—the executive sponsor and the Teradata team can work together to identify key stakeholders and subject matter experts associated with those areas of the business. Of particular interest are those associates who were around prior to the implementation of the current solution, and who can recall the situation at that time. By understanding both the previous and current state, and the difference between them, a true understanding of the incremental value realized can be achieved.

After the initial list of key stakeholders and SMEs is compiled, it can serve as a starting point for kicking off the project with all the key players and for scheduling individual interviews with those people—the first two steps in the gather/align phase of the assessment.

Phase 2: Gather/Align

Depending on the situation, a project kickoff can take many different forms including an in-person meeting, a conference call or WebEx, or a well-crafted introductory email from the project's executive sponsor. Regardless of format, the primary objective of the kickoff is to provide all

key players with a common understanding of the project; specifically, the project's purpose, why it's important, and what the expectations are for each participant.

Immediately following the project kickoff—and in some cases, before it has taken place—the project team should begin scheduling the interviews. Though availability and geography may provide a challenge, it is usually best to schedule the business interviews ahead of the IT interviews. This allows the project team to first develop the business context of the situation, then let that understanding guide them as they develop strategies and objectives for subsequent conversations.

The interviews have a dual purpose: 1) gather a general understanding of the business situation before and after implementation of a Teradata solution; and 2) collect the necessary data to quantify the value achieved by the solution.

Each interview is led by one consultant with another team member assigned the role of the scribe. While the scribe can participate in the conversation, his or her focus is on taking accurate and useful notes. This includes a list of action items, including follow-up conversations and additional data requests identified during the discussion.

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5 Best Practices for Interview Planning

#1 Choose the right interview method. Although conducting initial interviews in person is potentially more expensive than phone calls, it is generally well worth the expense. Future discussions, if necessary, can take place over the phone.

#2 Less can be more. While interviewing multiple people at the same time is usually fine, there are diminishing returns. In most cases, try not to exceed three interviewees in any one group.

#3 Understand reporting relationships. In general, we recommend against conducting group interviews in which one of the interviewees reports to another member of the group. Experience has taught us that this type of situation can greatly inhibit the candor of the participants.

#4 Agree on action items. Action items should be reviewed at the end of each interview. If the interviewee is responsible for delivering additional information, that material and date should be agreed upon and documented before the interview ends.

#5 Allow for pre-interview and post-Interview activities. A good rule of thumb is that there should be approximately one hour of preparation time before each interview and one hour of information synthesis after each interview. The synthesis should occur as soon after the interview is completed as possible.

The list should be reviewed and agreed on by the group before the interview concludes.

Though every situation is different, a good rule of thumb is that each interview be scheduled for approximately 60 to 90 minutes. Best practice is to allow one hour of preparation before the interview and one hour of review immediately following, allowing time for the team to assimilate what was discussed. As a rule, no more than three interviews should be scheduled for a single consultant within a single day.

Experience has proven that an environment of trust is essential in an activity such as this, and that interviewees are much more candid when they are confident that what they say will not be attributed to them without their explicit approval. For that reason, we strongly recommend against providing interview-specific notes back to the client sponsor. If the project team would like to attribute a quote or a thought to an individual, they should ask that individual for their permission. If the client sponsor insists that such notes be shared back with them, then each interview session should begin with an appropriate disclosure.

As the early interviews are conducted, the project team will begin synthesizing what they have heard and discovered. They will capture common themes and points of disagreement, as well as any information gaps or additional discussions required. While it's not essential that all participants agree on every issue, it's important that differing perspectives be flagged, and that appropriate follow-up is conducted in a timely manner.

It's important to realize this phase is largely an iterative process. Although the team may begin the project focused on one set of subject matter experts, as the interviews progress and reveal unexpected insights and unanswered questions, the team will likely need to include additional people in the assessment.

In moderation, this is both normal and constructive; in excess, however, this can lead to problems with "scope creep." Thus, it's important to set appropriate limits on this type of activity.

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Phase 3: Evaluate/Recommend

Once information is collected in the gather/align phase, it must then be combined into a meaningful financial analysis—which generally includes all incremental costs and benefits associated with each particular HBI, such as:

- Cost increases or cost reductions within the IT realm
- Cost increases or cost reductions within the business process
- Incremental business results such as higher sales, greater retention, and improved profit margins

Although the actual financial analyses will be unique for each assessment, the following figures illustrate what these analyses might look like. Figure 3 shows an example of how one might calculate the annual impact of a new event-based sales and servicing program, while Figure 4 shows how that annual impact can be turned into a multi-year net present value analysis.

Once the project team synthesizes what they uncovered during the interview process and creates the necessary financial models, they can then compare the value achieved with what was, or should have been, expected for the particular opportunity. In addition to documenting

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Annual Value Calculator: Event-Based Sales and Servicing (EBSS)
Event Type = Significant Large Deposit (SLD)

Value Lost by Diminishment of Significant Large Deposit-Related Balances

Annual Volume of Significant Large Deposits	51,529
Leads Assigned to Control Group	5,153
Leads Available for Contact	**46,376**
Average Deposit Amount Per Significant Large Deposit	$ 36,213
Total Deposit Amount of Significant Large Deposits Per Year	$ 1,679,414,088
Percentage of Significant Large Deposits Leaving Within 90 Days (From Control Group)	68.6%
Amount of Significant Large Deposits Expected to Leave Within 90 Days (Contact Group)	$ 1,152,078,064
Average Annual Value of Deposit Dollars to ABC Bank	2.73%
Annual Value of Significant Large Deposit Deposits Leaving Within 90 Days (Contact Group)	**$ 31,451,731**

Value of Incrementally Retaining Significant Large Deposit-Related Balances:

Annual Value of Significant Large Deposits Leaving Within 90 Days	$ 31,451,731
Incremental Retention Enabled by EBSS-driven Contact Strategy	11.60%
Annual Gross Value of Incrementally Retaining Significant Large Deposit Balances	**$ 3,648,401**

Less: Annual Cost for the Program

Significant Large Deposit Leads Available for Contact	46,376
Contact Rate	76%
Customer Contacts Made	35,246
All-In Incremental Cost Per Contact	$ 5.00
Annual Cost of the Program	**$ 176,229**

Annual Net Value of the Significant Large Deposit EBSS Program	**$ 3,472,172**

Figure 3. Business Impact Model Example–Annual Value for Event-Based Sales and Servicing Program

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the value that was actually realized, the project team should develop recommendations to ensure that the solution is delivering optimum value. These findings and recommendations can then be crafted into the project deliverable that will be shared with the executive sponsor and key stakeholders.

While no two BVA projects are the same, some of the topics most frequently discussed in the final deliverable include:

- Scope and objectives
- Who we spoke with
- What we heard
  - Previous state
  - Current state
- Financial analysis
  - Inputs and assumptions
  - Results
- Findings and recommendations
- Next steps

Experience has taught us that it is usually best to socialize the deliverable with the executive sponsor before sharing with a wider audience. Of course, this socialization should not be the first time that the findings are discussed with the sponsor. A well-run assessment should have frequent check-ins with the sponsor to ensure there are no surprises at the end of the engagement.

After completing this initial review and making any necessary adjustments, it's time to present the final deliverable and findings to all key stakeholders. This larger presentation is an essential part of ensuring that the assessment findings and recommendations are understood and acted upon throughout the organization.

Too often, when the results are shared only with the executive sponsor, the assessment ends up sitting on the proverbial shelf, providing little value to anyone.

Once the findings have been shared with the larger group, the BVA project is almost complete.

Net Present Value Analysis: Event-Based Sales and Servicing (EBSS)
Event Type = Significant Large Deposit (SLD)

Annual Net Value of the Significant Large Deposit EBSS Program					$ 3,472,172
Discount Factor for Net Present Value Calculations					8%

Value by Year and Net Present Value of the EBSS Program:

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Annual Program Costs	$2,100,000	$720,000	$720,000	$720,000	$720,000	$4,980,000
Incremental Benefit	$3,472,172	$3,472,172	$3,472,172	$3,472,172	$3,472,172	$17,360,860
Net Incremental Benefit	$1,372,172	$2,752,172	$2,752,172	$2,752,172	$2,752,172	**$12,380,860**
Discounted Net Incremental Benefit	$1,372,172	$2,548,307	$2,359,544	$2,184,763	$2,022,929	**$10,487,715**
Cumulative Discounted Benefit	$1,372,172	$3,920,479	$6,280,023	$8,464,786	**$10,487,715**	

Net Present Value of the EBSS Program–Significant Large Deposit					$ 10,487,715

Figure 4. Business Impact Model Example–Multi-Year Value Analysis for Event-Based Sales and Servicing Program

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3 Best Practices for Findings Delivery

#1 **Get validation from finance before presenting the findings.** Before presenting the findings to the executive sponsor and other key stakeholders, it is best to first review the financial models, assumptions, and results with someone within the customer's finance group—preferably someone recommended by the executive sponsor. Most executives will want the numbers validated by finance at some point, and the presentation will go much smoother if this validation is done ahead of time.

#2 **Share the findings widely.** After reviewing the final deliverable with the project sponsor and getting his or her approval, it may be tempting to stop there and consider the BVA successfully completed. This would not be wise. For the BVA to have real value to the organization, it is important that the findings and recommendations be shared with a larger group of stakeholders so that carrying out those recommendations is part of the "team goal," not something left solely to the primary sponsor.

#3 **Next steps are essential.** Include a full discussion of next steps in the final presentation, including recommendations on how best to measure and track the realized value going forward.

Phase 4: Refine/Confirm

While a one-time BVA can provide clients with a tremendous amount of insight around the value being delivered by a Teradata solution, the findings of that assessment can have a limited shelf life. As conditions change within the business, the value of the solution could fluctuate and the validity of the BVA could be diminished.

For this reason, it's critical to establish an ongoing regimen for tracking and managing the costs and value delivered by the solution—and by other solutions within the analytics ecosystem. The best time to install this measurement regimen is immediately after—or even before—delivery of the final presentation. This is when the BVA will have the greatest mindshare within the organization. It's essential that this moment not be lost.

Finally, as the assessment winds down it's useful to take a step back one last time and determine what, if any, follow-up activities would be appropriate, possibly including:

- Communicating the findings and recommendations to a wider audience within the organization
- Pursuing an additional BVA to articulate and quantify the value produced by other historical business impacts
- Beginning a follow-on business value discovery to identify, articulate, and quantify additional opportunities to generate value
- Developing a more expansive, more strategic analytics roadmap

Conclusion

As mentioned, a successful Business Value Affirmation requires both art and science. The four-phase consulting methodology described here provides the science. Like any useful methodology, this is only intended to be a framework outlining the necessary steps to ensure a positive outcome. It's possible the framework will need to be adjusted to meet the unique demands of a particular assessment project. This is where the art is provided by the talented Teradata consultants who execute the assessment. By applying expertise and extensive experience gained from similar efforts, Teradata consultants can help ensure a successful assessment.

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About the Authors

Bob Brady

Since joining Teradata in 2000, Bob has served in a variety of roles, including financial services industry consultant, director of the Teradata Business Value Consulting Center of Excellence, area sales director for big analytics and big data solutions, and now as a senior business consultant within Think Big Analytics, a Teradata company focused on using analytics to drive business outcomes.

Bob has worked with a variety of customers across industries, with a primary focus on identifying, quantifying, and enabling the real business impacts that can be unleashed by our technology and analytical solutions.

Prior to joining Teradata, Bob led pricing and profitability, product management, and customer relationship management programs at NationsBank and First Union National Bank. Bob earned a BS in electrical engineering from Virginia Polytechnic Institute and State University, an MS in industrial engineering from the New Jersey Institute of Technology, and an MBA from Duke University's Fuqua School of Business.

Ross VanDooser

Since joining Teradata in 2012, Ross has served as a senior business value consultant and is now director of the Teradata Value Engineering Center of Excellence. Ross has worked with a variety of customers across all industries and government, identifying, quantifying, and enabling improved business outcomes resulting from our technology and analytical solutions. Ross' primary focus has been building business cases, ROI estimates, and use case summaries resulting from the projects and workshops with our customers.

Prior to joining Teradata, Ross worked in similar "value engineering" roles at technology companies StarCite, SAP, Indus International, and JD Edwards. Ross' expertise was forged through 24 years in varying finance and accounting roles including financial analysis, budgeting, divisional controller, director of finance, and CFO for the likes of Bristol-Myers Squibb, Walter Kidde Aerospace, MIST, Inc., and Siemens High Voltage Systems. Ross earned his BS in business and accounting at Elmira College and attended Duke University's Fuqua School of Business.

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